

December 16, 2005

A. G. Kawamura, Secretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

Subject: Petition to Adjust California Class 1 Prices

Dear Secretary Kawamura:

The California Food & Agriculture Code Section 62062.1, states:

“Any designation of a class 1 price by any method or formula that is used to develop class 1 prices paid to producers in the various marketing areas, shall provide, on a calendar year basis, a statewide weighted average minimum price level for a hundred weight of milk testing 3.5 fat and 8.7 solids not fat that is in reasonable relationship with minimum class 1 milk prices paid to producers in contiguous states. If the statewide weighted average class 1 prices paid to producers are not in a reasonable relationship with the class 1 prices paid to producers in contiguous states, the secretary shall immediately hold a hearing to consider adjustments to the class 1 prices.” (Emphasis added)

An analysis of California’s weighted average Class 1 price for milk testing 3.5 fat and 8.7 solids not fat in comparison to Class 1 producer prices in contiguous states for calendar year 2005 shows that California’s statewide Class 1 price (based on utilization) is not in a reasonable relationship with average Class 1 prices in Medford and Portland, Oregon or Phoenix and Yuma, Arizona. The table below shows the average producer Class 1 price in the contiguous states and the level at which they exceed the California weighted average Class 1 hundredweight price:

2005	Class I Cwt	Calculated SNF (lb)	Butterfat (lb)	Over CA Class 1 Statewide Cwt
Phoenix	\$16.75	\$1.2083	\$1.7834	\$0.88
Yuma	\$16.40	\$1.1695	\$1.7799	\$0.53
Medford	\$16.30	\$1.1584	\$1.7789	\$0.43
Portland	\$16.30	\$1.1584	\$1.7789	\$0.43

Therefore, the Alliance of Western Milk Producers and Western United Dairymen, on behalf of their members and with the full authorization of their Boards of Directors are petitioning the Department for a hearing to make the following adjustments to the Class 1 price formulas in order to effectuate an approximate 43 cent per hundredweight increase in the Northern and Southern California Class 1 prices:

In both the Northern California and Southern California stabilization plans , decrease the butterfat price by \$0.0216. Additionally, increase the Commodity Reference Price (CRP) adjuster used in the calculation of the Class 1 solids not fat and fluid carrier prices from the current value of +\$0.464 per hundredweight to a new value of +\$0.900 per hundredweight.

With these adjustments, California's weighted average Class 1 producer hundredweight price will, on average for calendar year 2005, be in a more reasonable relationship to Class 1 producer prices in contiguous states as required by Section 62062.1.

Respectfully submitted,



Jim Tillison
CEO, Alliance of Western Milk Producers



Michael Marsh
CEO, Western United Dairymen

cc: Alliance Board of Directors
Western United Dairymen Board of Directors
A.J. Yates, Undersecretary
Kelly Krug, Marketing Services Director
Dave Ikari, Dairy Marketing Branch Chief

Southern California Stabilization and Marketing Plan (Plan 59), Proposed Changes:

Article III

Class Prices

Section 300.0. The minimum class prices for the milk fat and skim milk components of market milk, market cream, and market skim milk f.o.b. the pool plant or nonpool plant located within this Marketing Area where the milk was first received from producers, shall be as follows:

(A) The minimum monthly prices for components used for Class 1 shall be determined prior to the beginning of each month, using the following formulas and procedures, except as such formulas and procedures may be modified by Paragraph (H) of this Section:

(1) For all milk fat, not less than the price per pound computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less a butter adjuster of ten cents (\$0.10), and the result multiplied by a yield factor of 1.2 **and deduct two and sixteen-hundredths cents (\$0.0216) from the result.**

(2) For all milk solids-not-fat, not less than the price per pound computed by the formula using the Commodity Reference price per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, plus ~~forty-six and four-tenths cents (\$0.464)~~ **ninety cents (\$0.900)**, less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.76 and divided by 8.7.

(3) For all fluid carrier, not less than the price per pound computed by the formula using the Commodity Reference price per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, plus **ninety cents (\$0.900)**, less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.24 and divided by 87.8.

Northern California Stabilization and Marketing Plan (Plan 44), Proposed Changes:

Article III

Class Prices

Section 300.0. The minimum class prices for the milk fat and skim milk components of market milk, market cream, and market skim milk f.o.b. the pool plant or nonpool plant located within this Marketing Area where the milk was first received from producers, shall be as follows:

(B) The minimum monthly prices for components used for Class 1 shall be determined prior to the beginning of each month, using the following formulas and procedures, except as such formulas and procedures may be modified by Paragraph (H) of this Section:

(1) For all milk fat, not less than the price per pound computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less a butter adjuster of ten cents (\$0.10), and the result multiplied by a yield factor of 1.2 **and deduct two and sixteen-hundredths cents (\$0.0216) from the result.**

(2) For all milk solids-not-fat, not less than the price per pound computed by the formula using the Commodity Reference price per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, plus ~~forty-six and four-tenths cents (\$0.464)~~ **ninety cents (\$0.900)**, less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.76 and divided by 8.7.

(3) For all fluid carrier, not less than the price per pound computed by the formula using the Commodity Reference Price per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, plus **ninety cents (\$0.900)**, less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.24 and divided by 87.8, and then \$0.0031 per pound subtracted from the result.